Translation from the Hebrew. The Hebrew version is the binding version.

Directors' Report on the State of the Company's Affairs for the period ended September 30, 2010

Below is the Directors' Report of Israel Chemicals Ltd. ("ICL" or "the Company") for the period ended September 30, 2010.

1. Description of the Company and its Business Environment

1.1 Description of ICL

ICL is a multinational company that operates mainly in the areas of fertilizers and specialty chemicals, in three segments: Fertilizers, Industrial Products and Performance Products.

ICL's operations are based primarily on natural resources – potash, bromine, magnesium and sodium chloride from the Dead Sea, and phosphate rock from the Negev Desert, based on concessions and licenses from the State of Israel. Operations are also based on potash and salt mines in England and Spain under lease agreements and licenses from the relevant authorities in those countries. ICL is active in the production of these minerals, in their sale throughout the world, and also in the development, production and marketing of downstream products based primarily on these raw materials or complementary to these products.

ICL has a prominent position in the world in the markets for potash, bromine, pure phosphoric acid, specialty phosphates, bromine and phosphorus-based flame retardants and chemicals used in wildfire retardants. Potash and phosphate are core components of fertilizers. Bromine is used in a wide range of applications, primarily as a basic ingredient of flame retardants. ICL's products are used primarily in agriculture, electronics, food products, oil and gas drilling, water purification and desalination, and in industries such as detergents, paper, cosmetics, pharmaceuticals, automotive, aluminum and others. ICL has decades of accumulated experience in most of its businesses.

ICL has direct access to most of the raw materials required for its activities, at low cost and high quality, by virtue of the exclusive concession granted to ICL by the State of Israel for extraction of minerals from the Israeli side of the Dead Sea, in return for payment of royalties to the State. The production costs of the potash and bromine that ICL extracts from the Dead Sea are relatively lower than the costs of other producers in the world that do not have access to the Dead Sea.

ICL's main production facilities are based in Israel, Germany, the USA, Holland, Spain, the UK, China, Brazil and France. ICL has other production facilities in Austria, Belgium, Turkey, Argentina, Canada, Ireland and Australia.

ICL's operations outside of Israel are primarily in the manufacture of products that are complementary to or are based on its operations in Israel or in related fields. Approximately 94% of all ICL's production is sold outside of Israel.

The operations of ICL's facilities are largely integrated with one another, both in terms of supply of raw materials and in the way that one facility frequently utilizes the by-products of another for the manufacture of end products (for example, bromine is produced by utilizing the bromine in the by-product streams from the evaporation ponds used to produce potash. Bromine production, utilizes chlorine, a by-product stream in the production of magnesium and others).

Approximately 6% of ICL's production is sold in Israel. For specific products, ICL and some ICL companies have been declared a monopoly in Israel.
Approximately 44% of ICL's annual sales turnover comes from production outside of Israel.

ICL has no material dependency on any single customer, supplier or source of raw materials that are not included in the concessions granted to ICL.

ICL applies an overall policy of sustainable development that integrates social, economic and environmental considerations in all of its business activities. The main points of the policy include social responsibility, which covers contributing to the community, taking responsibility for the safety, hygiene and the well-being of employees, reducing environmental effects, creating a dialog and transparent communication with the authorities, as well as other subjects.

As noted, ICL operates in three segments of operation on a management-functional basis, even where administrative division and legal ownership do not fully correspond, as described below.

A. **ICL Fertilizers** – ICL Fertilizers produces potash from the Dead Sea, and mines and produces potash and salt from underground mines in Spain and England. ICL Fertilizers refines the potash into various grades and sells it worldwide. ICL Fertilizers also uses some of the potash for the manufacture of compound fertilizers.

   ICL Fertilizers also mines and processes phosphate rock from open-pit mines in the Negev region, and at its production facilities in Israel it manufactures sulfuric acid, fertilizer-grade phosphoric acid, phosphate fertilizers, complex fertilizers based mainly on potash and phosphate, and specialty fertilizers. ICL Fertilizers also manufactures fertilizers in Holland, Germany and Belgium. In addition ICL Fertilizers manufactures phosphate-based animal feed additives in Turkey and Israel. ICL Fertilizers markets its products worldwide, and its top sales destinations are Europe, Brazil, India, China and Israel.

B. **ICL Industrial Products** – ICL Industrial Products manufactures elementary bromine from an end-brine that is created as a by-product of the potash production process in Sdom, as well as bromine-based compounds. ICL Industrial Products is the world's leading manufacturer of elementary bromine, producing about 35% of total global production in the reporting period. ICL Industrial Products uses about 76% of the elementary bromine it produces for manufacturing bromine compounds at its production sites in Israel, Holland and China. In addition, ICL Industrial Products produces and markets flame retardants and other phosphorus-based products in plants in the USA and Germany, produces various salt, magnesia and chlorine products at its production sites in Israel, and also manufactures chlorine-based products in Israel and the USA, and markets its products worldwide.

C. **ICL Performance Products** – ICL Performance Products purifies some of the fertilizer-grade phosphoric acid manufactured by ICL Fertilizers, purchases purified phosphoric acid from other sources and also manufactures thermal phosphoric acid. The purified phosphoric acid is used in the manufacture of downstream products of high added value – phosphate salts (which in turn are a raw material in the production of food additives), hygiene products, phosphorus derivatives and wildfire retardants and extinguishers. ICL Performance Products also produces specialty products based on aluminum oxide ("alumina") and other raw materials. The production sites of ICL Performance Products are in Europe (mainly Germany), the USA, Brazil, Israel and China. During the period approximately two thirds of the sales of ICL Performance Products were of pure phosphoric acid of various qualities, and of downstream products of the acid.

In addition to these segments, other ICL activities include desalination and the production of magnesium metal.

1.2 Business environment and profitability

ICL is a multinational company. The Company's financial results are affected by global economic trends, changes in terms of trade and financing, and fluctuations in exchange rates. The demand for ICL products is affected by the demand for basic agricultural products and the global economic situation, among other factors.

Together with and as part of its business strategy, ICL is taking steps towards adapting its marketing and production policies to global market conditions. ICL is focusing on improving cash flow and diversifying financing sources, and is committed to taking action to improve efficiency and savings.

Most of ICL’s sales are in foreign currency, mainly US dollars and euro. A significant part of its operating expenses in Israel is denominated in shekels; therefore depreciation of the shekel against the dollar has a positive impact on ICL's profitability, while appreciation has the opposite effect. The depreciation of the average exchange rate of the euro against the dollar has a negative impact on ICL’s profitability, while appreciation has the opposite impact. Conversely, depreciation of the euro against the dollar improves the competitive ability of ICL's subsidiaries whose functional currency is the euro, compared with competitors whose functional currency is the dollar. The weakening of the dollar against the shekel in the period compared with the corresponding period last year, impacted negatively on ICL’s operating income and financing expenses, by an estimated $20.7 million and $17.9 million, respectively. The forecast for ICL’s surplus of revenues over expenses in euro for the next 12 months amounts to approximately $230 million.[1] ICL hedges against some of these foreign currency exposures.

Most of ICL’s loans bear variable interest rates, exposing the Company to fluctuations in these rates. The Company partially hedges against this exposure by using financial hedging instruments, including derivatives. For details of hedging amounts for reducing such exposures, see section 8 below.

There is interdependence between the amount of available arable land and the amount of food for the population, and the use of fertilizers. The increase in global consumption of grains (such as cereals, rice, soybean and corn) is affected by natural population growth and the change in food consumption habits (a shift to richer nutrition, largely based on animal protein, which increases grain consumption) resulting from the rising standard of living, mainly in developing countries. Global consumption of grains is also affected by environmental-quality considerations and the efforts of western countries to reduce dependence on oil imports, which strengthens the trend to shift to bio-fuels. These trends have already led to significantly lower grain stocks a few years ago, and consequently, higher prices of agricultural produce, increased planting of grain crops worldwide, and higher yield per unit of agricultural land, mainly by increased application of fertilizers.

In the short term, demand for fertilizers is volatile and is affected by factors such as weather in the world’s central agricultural growing regions, fluctuations in planting of the main crops, agricultural input costs, agricultural product prices and developments in biotechnology. Some of these factors are influenced by subsidies and credit lines granted to farmers or to producers of agricultural inputs in various countries, and by environmental regulations. Changes in exchange rates, legislation and international trade policy also affect the supply, demand and level of consumption of fertilizers worldwide. Notwithstanding the volatility that can be caused in the short term as a result of these factors, the Company estimates that the policy of most countries in the world is to ensure orderly and high-quality supply of food to the population, thereby encouraging agricultural production, which should preserve the long-term growth trend.[2]

Since the second half of 2009, after an unprecedented slump in the global economy and consequently, in fertilizer consumption, farmers gradually started to return to the application of larger quantities of fertilizers. This trend continues up to the present.

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[1] The assessments of the surplus of revenues over expenses in euro in this paragraph are forward-looking information and there is no certainty that they will be realized. They could change due to fluctuations in world markets as well as local markets, especially at ICL's production sites and in the target markets for ICL products, including, *inter alia*, changes in the levels of supply and demand and in the prices of the products and changes in the magnitude of the operating expenses of the companies whose functional currency is the euro.

[2] The assessments of future trends in this paragraph are forward-looking information and there is no certainty that they will be realized, when and at what pace. They could change due to fluctuations in world markets as well as local markets, especially at ICL's production sites and in the target markets for ICL products, including, *inter alia*, changes in the levels of supply and demand and in the prices of the products, the commodities and the cereals. There could also be impact from actions taken by governments, producers and consumers. In addition there could be possible impact of the situation in the financial markets, including changes in exchange rates, credit conditions and interest rates.

At the end of December 2009, it was announced that Chinese importers (Sinofert, CNAMPGC) and BPC, a trading company representing Belaruskali and Uralkali signed contracts for the supply of potash in 2010, in quantities similar to those supplied in 2008 and at a CFR price of $350 per ton. In January 2010, ICL signed contracts with customers in China for the supply of potash in a total scope of 620,000 tons in 2010 (including 100 thousand optional tons), with terms that are similar to the terms in the BPC contracts. During the first nine months of 2010 exports of potash to China reached 3.6 million ton (compared with 1.8 million ton for the same period in the prior year). The expected amount for the full year is estimated at above 5 million ton[3].

In mid-February 2010, the Canadian Export Association (Canpotex) finalized an agreement to sell 600,000 tons of potash to its Indian customers, to be supplied in the second quarter of 2010 at a CFR price of $370 per ton. In March 2010, BPC finalized an agreement for the supply of 900,000 tons of potash over one year under similar terms. In March 2010, ICL Fertilizers also signed an agreement with a number of customers in India for the sale of 1,430,000 tons of potash (including an optional 90,000 tons) over one year, as from April 2010, at a CFR price of $370 per ton. The scope of the supply contracts that were signed with India with all the potash manufacturers, for supply during the period April 2010- March 2011, reached a high of approximately 6 million ton. During the first nine months of 2010 potash exports to India reached above 4.4 million ton, from that approximately 3.7 million ton is under the contracts from April 2010, representing more than 60% from the total contract amounts including the optional amounts (compared with approximately 1.9 million ton for the same period in the prior year)[4].

Import of potash to Brazil in the reporting period increased significantly compared with the corresponding period last year. In the first nine months of 2010 exports to Brazil reached approximately 4.5 million ton, an increase of approximately 1.9 million ton (77%) compared with the same period in the prior year but remains lower than its peak of 5.8 million ton in the same quarter of 2008[5].

Demand for fertilizers in the U.S. during last year's summer fertilizing season was lively, and similar demand is coming from the local distributors, who are stocking up in readiness for the coming fertilizing season.

At the beginning of the year, the Indian government published its new policy on subsidies for fertilizers, which came into force on April, 1, 2010. The main part of the plan is a transition from subsidizing products on a list, to subsidy according to nutrients. In addition, the tendency of the subsidy policy is to make a gradual change in the method of payment, from the present method of payment to the manufacturers/importers, to payment of the subsidy directly to the farmer. In the past few months, a decision was made to postpone this change because of the complexity of the process of identifying so large a number of farmers (about 200 million). As far as the subsidy for imported potash and phosphoric fertilizers is concerned, in 2010-11 the policy based on the maximum final retail price will be cancelled, but limitations were set on changes in the final price to consumers, the intention being that the price will be maintained at a level similar to its level today.

The forecast of the US Department of Agricultural (USDA) from November 2010, anticipates a decrease in international grain stores from 490 million tons in 2009/10 to 427 million tons in the current agricultural year. The ratio of global grain stores to consumption is estimated at only 19.0% in 2010/11, compared with 22.4% in 2009/10. The USDA also raised the consumption forecast for maize and wheat, mainly due to increased demand for cattle fodder. The lower forecast of stores for most grains around the world was due mainly to output that was lower than projected for the U.S. in the months prior to the report, and extreme weather conditions in Russia and Europe. As market conditions tighten, the USDA foresees a rise in grain prices.

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[3] Source: China Fertilizer special market report, October 2010

[4] Source: Fertilizers week, October 2010

[5] Source: ANDA, October 2010

The operations of ICL Industrial Products are largely affected by the level of activity in several markets, including electronics (primarily printed circuits), construction, automotive, oil drilling, furniture, textile and water treatment. In 2009, there was a sharp decline in demand for flame retardants following the global economic crisis and its effect on the electronics, construction and automotive markets. As of the third quarter of 2009, there was an increase in demand which continued during 2010, with demand in the reporting period for most of the segment's products, and especially flame retardants, substantially higher than in the corresponding period last year. The ongoing increase in demand for flame retardants, stems mainly from the strengthening demand for electronic, automotive and construction products. Selling prices of segment products, which decreased gradually in 2009 as a result of the global economic crisis, started to rise with the recovery of demand This rise is reflected mainly in the higher average prices of flame retardants compared with the corresponding period last year. Production of bromine in China continued to decrease, because of depletion of the bromine resources, a harsh winter and high production costs. These factors also brought about an increase in the prices of bromine and bromine-based flame retardants in the Chinese market and a significant decrease in production quantities of flame retardants in China.

The operations of ICL Performance Products are affected by competition in the target markets, by price volatility in the fertilizer market, which affects the segment's principal raw materials, and by volatility in energy prices. During the reporting period, demand improved compared with 2009, with the improvement noted in the first half of the year continuing into the third quarter, despite the uncertainty that typifies markets in the U.S. The shortage of available raw materials enabled the Company to halt the pressure to lower prices that was felt at the beginning of the year, and even to raise some of its prices.

Marine shipping costs account for 7% of ICL's total operating costs in the reporting period. In recent years, bulk shipping prices have been highly volatile. From the beginning of 2009, bulk shipping prices increased to a level of 3,005 points (according to the Baltic Dry Index – BDI) at the end of the year. During the reporting period, that volatility continued and the average BDI in the third quarter of 2010 was 2,352 points, compared with an average of 2,660 points in the corresponding quarter last year – a decline of about 16%.

Energy costs account for 8% of ICL's total operating costs in the reporting period. Commencing in the third quarter of 2009, energy prices started to rise, and in the reporting period, energy prices were higher than in the corresponding period last year.

The beginning of December 2009 saw completion of the project for laying the gas pipeline to Sdom for the production of electricity at the power plant of Dead Sea Works in Sdom and the heating and drying processes in the production ovens of the plants in Sdom. During the reporting period the plants in Sdom commenced gradual reconfigurations for the use of gas. As of the date of the report, 85% of the reconfigurations for plants in Sdom where the reconfigurations were planned were completed. It is anticipated that the shift to natural gas will bring a significant decrease in the pollutants in the area of the plants, will improve the quality of the products, will reduce maintenance costs, and will contribute to considerable financial savings as a result of substitution for other, more expensive fuels.

Israel Natural Gas Lines Ltd. is meant to complete the connection of the national gas pipeline to the remainder of the Company’s plants in Mishor Rotem by the end of 2010, and in Ramat Hovav during the first half of 2011. At the same time, the facilities are being converted for the use of natural gas.

1.3 This Directors' Report is attached to the interim financial statements for the period ended September 30, 2010, and assumes that the financial statements are available to the reader. The Directors' Report is in condensed form for the period and assumes that the Periodic Report for 2009 is also available to the reader.

The financial data, including comparative figures, are taken from the financial statements of ICL, which were prepared in accordance with International Financial Reporting Standards (IFRS).

2. Results of Operations

2.1 Principal financial results

Hereunder the condensed results of operations in the reviewed period, compared with the results for the corresponding period last year, in millions of dollars.

	1-9/2010		1-9/2009		7-9/2010		7-9/2009		2009	
	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales
Sales	4,270.9		3,327.6		1,393.7		1,346.5		4,554.3	
Gross profit	1,805.1	42.3	1,325.9	39.8	584.1	41.9	574.8	42.7	1,836.5	40.3
Operating income	1,007.0	23.6	684.0	20.6	319.1	22.9	287.7	21.4	938.2	20.6
Pre-tax profit	963.2	22.6	686.3	20.6	290.7	20.9	264.3	19.6	942.8	20.7
Net profit to Company share-holders	779.3	18.2	567.7	17.1	242.9	17.4	256.6	19.1	770.4	16.9
Cash flow from current operations	1,110.2		881.0		369.6		242.2		1,199.7	
EBITDA*	1,164.0	27.3	880.3	26.5	374.0	26.8	380.8	28.3	1,225.9	26.9
Investment in property, plant and equipment, less grants	237.1		248.7		(76.6)		79.8		345.7	

* Calculated as follows, in millions of dollars:

	1-9/2010	1-9/2009	7-9/2010	7-9/2009	2009
Net profit to Company shareholders	779.3	567.7	242.9	256.6	770.4
Depreciation and amortization	158.3	150.1	53.9	51.5	204.6
Finance expenses (income), net	45.8	(0.7)	30.3	24.1	(6.1)
Taxes on income	180.8	116.2	46.9	6.2	168.5
Special or one-time expenses	-	47.0	-	42.4	88.5
Total	1,164.0	880.3	374.0	380.8	1,225.9

2.2 Results of operations for January – September 2010

Sales

Sales of ICL in the reporting period amounted to approximately $4,270.9 million, compared with $3,327.6 million in the corresponding period last year, an increase of about 28.3%. This increase reflects a sharp rise in quantities sold in all the Company's segments of operation, which contributed to an increase of $1,730 million in revenue. However, the increase was partially offset by falling selling prices compared with the corresponding period, which resulted in a decrease in sales of $790 million, and the strengthening of the dollar against other currencies of operation led to a decrease in revenue of approximately 22 million.

Below is a geographical breakdown of sales:

	1-9/2010		1-9/2009		2009	
CIF sales	**$ millions**	**%**	**$ millions**	**%**	**$ millions**	**%**
Israel	243.4	5.7	215.7	6.5	283.3	6.2
North America	792.4	18.6	779.6	23.4	1,013.1	22.2
South America	489.0	1.5	415.1	12.5	542.6	12.0
Europe	1,414.8	33.1	1,034.7	31.1	1,426.0	31.3
Asia	1,229.2	28.8	776.3	23.3	1,148.4	25.2
Rest of the world	102.1	2.3	106.2	3.2	140.9	3.1
Total	4,270.9	100.0	3,327.6	100.0	4,554.3	100.0

The breakdown indicates an increase in sales in all geographical regions, mainly due to the increase in quantities sold as a result of improving demand for most of the Company's products, most notably the change in Europe and Asia due primarily to higher demand for fertilizers.

Gross profit

Gross profit amounted to $1,805.1 million, compared with a profit of $1,325.9 million in the corresponding period last year, an increase of $479.2 million. The gross profit margin out of sales amounted to 42.3%, compared with 39.8% in the corresponding period last year.

The increase in the gross profit compared with the corresponding period last year, stems mainly from an increase in the sales of most of the Company's products, which improved gross profit by $997 million, and from an increase in production quantities, mainly of phosphate fertilizers and of bromine and its compounds, which increased gross profit by approximately $235 million. Conversely, a decrease in the selling prices of some of the Company's products and a rise in energy prices, led to a decrease in gross profit of $739 million and $25 million respectively.

Sales and marketing expenses

Expenses for this item amounted to $577.6 million, an increase of approximately $192.6 million compared with the corresponding period last year. The increase in expenses stems mainly from the increase in sales, which led to an increase of $164 million in sales and marketing expenses (due mainly to increased activity in the Fertilizers segment), and from a rise of $14 million in marine and land shipping prices.

General and administrative expenses

These expenses amounted to $180.5 million, an increase of $41.3 million compared with the corresponding period last year. Expenses in the reporting period in respect of amortizing the fair value of stock options issued to employees over the purchase period, amounted to approximately $24.2 million. In addition, the strengthening of the shekel against the dollar led to an increase in the expenses in this item in dollar terms.

Research and development expenses

R&D expenses (net of grants from the Chief Scientist) amounted to $45.8 million, an increase of about $6.2 million compared with the corresponding period last year.

Operating income

Operating income amounted to $1,007.0 million, an increase of $323.0 million compared with the corresponding period last year. The increase in operating income stems from the increase in gross profit noted above, which was partially offset by a rise in selling expenses as a result of the increase in the volume of sales, the rise in shipping prices mentioned above, and the strengthening of the shekel against the dollar in the period, which accounts for approximately $20.7 million. Operating income as a percentage of sales turnover is 23.6%, compared with 20.6% last year. The increase in the operating income margin stems mainly from the increase in sales.

Finance income/expenses

Net finance expenses amounted to $45.8 million, compared with income of approximately $0.7 million in the corresponding period last year. Finance expenses in the reporting period compared with finance income in the corresponding period last year, is mainly due to the following factors:

A. Income of $9.0 million from derivative financial instruments and revaluation of short-term financial items in the period, compared with income of $39 million in the corresponding period last year.

B. An increase of approximately $12 million in net interest expenses following the increase in the average interest rate.

C. The effect of the change in the shekel / dollar exchange rate on employee benefit liabilities necessitated an expense of $9 million in the period, compared with $4 million in the corresponding period last year.

Tax expenses

Income tax expenses in the reporting period, amounted to $180.8 million, compared with $116.2 million in the corresponding period last year. The tax rate on pre-tax profit is about 18.8%, compared with 16.9% last year. The tax rate in the reporting period compared with the corresponding period last year was impacted by the following factors:

A. In the corresponding period last year, a one-time sharp decrease of 3.8% in the tax rate reflected the impact of the expected decrease in the tax rates mandated by the economic efficiency law, on the balance of deferred taxes.

B. An increase in expenses not recognized for tax purposes, due mainly to the charging of the expense in the reporting period in respect of amortizing the fair value of stock options issued to employees over the purchase period.

C. The strengthening of the shekel against the dollar in the reporting period compared with the corresponding period last year caused a decrease in the tax rate of the companies operating in Israel, due to the differences in the measurement basis.

Net Profit

Net profit for the shareholders of the Company amounted to $779.3 million, compared with $567.7 million in the corresponding period last year, an increase of $211.6 million.

The percentage of net profit out of sales turnover is approximately 18.2%, compared with 17.1% last year.

2.3 Results of operations for the period July – September 2010

Sales

Sales of ICL in the quarter amounted to $1,393.7 million compared with $1,346.5 million in the corresponding period last year, an increase of 3.5%.

The rise in quantities sold contributed $178 million to revenue. However, this was partially offset by the fall in selling prices, mainly in the Fertilizers segment, which resulted in a decrease of approximately $100 million in revenue, and by the strengthening of the dollar against the other functional currencies, which led to a decrease of $36 million in revenue.

Below is a geographical breakdown of sales:

	7-9/2010		7-9/2009	
Sales CIF	**$ millions**	**%**	**$ millions**	**%**
Israel	68.5	4.9	79.9	5.9
North America	255.5	18.3	292.7	21.7
South America	191.0	13.7	224.7	16.7
Europe	452.5	32.5	384.5	28.6
Asia	379.5	27.2	329.5	24.5
Rest of the world	46.7	3.4	35.2	2.6
Total	1,393.7	100.0	1,346.5	100.0

Significant improvement is seen in the European market and in Asia, mainly due to higher demand in the Fertilizers segment.

Gross profit

Gross profit amounted to $584.1 million, compared with $574.8 million in the corresponding period last year, an increase of about $9.3 million.

The improvement in the margin compared with last year stems mainly from the higher quantities sold of most of the Company's products and from increased production, which contributed to an increase in the gross profit of $88 million and $15 million, respectively. The improvement was offset by the fall in the selling prices and a rise in energy prices, which decreased gross profit by approximately $93 million.

Sales and marketing expenses

Expenses for this item amounted to $189.0 million, an increase of $35 million compared with the corresponding quarter last year, mainly as a result of increased sales, which resulted in an increase of $39 million in shipping expenses. Conversely, the decrease in shipping prices led to a decrease of about $7 million in expenses.

General and administrative expenses

Expenses for this item amounted to $60.0 million, an increase of about $11.5 million compared with the corresponding quarter last year. Most of the increase stemmed from a charge of approximately $8.3 million in respect of amortizing the fair value of stock options issued to employees in the reporting period, over the purchase period.

Research and development expenses

R&D expenses amounted to approximately $16.1 million, an increase of $2.8 million compared with the corresponding quarter last year.

Operating income

Operating income increased by $31.4 million compared with last year, reaching $319.1 million. The increase stems from the above-mentioned increase in gross profit, which was partially offset by a rise in selling expenses that resulted from the increase in sales, and by the rise in shipping expenses.

Operating income as a percentage of sales turnover is 22.9%, compared with 21.4% in the corresponding quarter last year.

Finance income / expenses

Net finance expenses in the quarter amounted to $30.3 million, compared with $24.1 million in the corresponding quarter last year. The increase in finance expense in the quarter compared with last year stems primarily from the following factors:

A. A rise of approximately $3.5 million in the net interest expense following the rise in the average interest rate.

B. The effect of the change in the shekel / dollar exchange rate on employee benefit liabilities led to an expense of approximately $17 million in the quarter, compared with an expense of $11 million in the corresponding quarter last year.

C. Conversely, income of approximately $3 million was generated from financial derivatives in the quarter, compared with $0.5 million in the corresponding quarter last year.

Tax expenses

The tax expense in the quarter amounted to $46.9 million, compared with $6.2 million in the corresponding period last year. The tax rate on income before tax is 16.1%, compared with 2.4% last year.

In the corresponding period last year, a one-time sharp decrease in the tax rate reflected the impact of the expected decrease in the tax rates mandated by the economic efficiency law, on the balance for deferred taxes.

Net profit

Net profit for the shareholders of the Company amounted to $242.9 million, compared with $256.6 million in the corresponding period last year.

3. Segments of Operation

The segments of operation of ICL are presented below according to the management of segments described in the introduction to this report.

CIF sales by segment of operation	1-9/2010		1-9/2009		7-9/2010		7-9/2009	
	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales
ICL Fertilizers	2,340.9	52.0	1,513.4	42.8	753.3	51.1	677.1	47.7
ICL Industrial Products	966.6	21.5	738.5	20.9	315.5	21.4	280.6	19.8
ICL Performance Products	1,013.0	22.5	1,013.6	28.6	351.9	23.9	380.9	26.8
Others and offsets	(49.6)		62.1		(27.0)		7.9	
Total	**4,270.9**		**3,327.6**		**1,393.7**		**1,346.5**	

Note: The sales data for the segments and their percentages of total sales are before setoffs of inter-segment sales.

Operating income by segment of operation	1-9/2010		1-9/2009		7-9/2010		7-9/2009	
	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales	$ millions	% of sales
ICL Fertilizers	720.7	30.8	503.8	33.3	212.5	28.2	253.5	37.4
ICL Industrial Products	139.8	14.5	4.9	0.7	52.6	16.7	(8.0)	(2.9)
ICL Performance Products	152.3	15.0	138.1	13.6	53.3	15.1	35.2	9.2
Others and offsets	(5.8)		37.2		0.7		7.0	
Consolidated operating income	**1,007.0**		**684.0**		**319.1**		**287.7**	

Note: The profit percentage is from sales before setoffs of inter-segment sales.

3.1 ICL Fertilizers

Below is a breakdown of the sales and operating income of the segment in the reporting period, by areas of operation (before setoffs of inter-segment sales)

	1-9/2010	1-9/2009	7-9/2010	7-9/2009	1-12/2009
Sales					
Potash	66%	62%	62%	69%	64%
Phosphate	34%	38%	38%	31%	36%
Operating income					
Potash	87%	98%	81%	98%	98%
Phosphate	13%	2%	19%	2%	2%

Sales

Sales in the reporting period amounted to $2,340.9 million, an increase of $827.5 million compared with the corresponding period last year, representing an increase of 54.7%.

The increase in sales stems mainly from a sharp increase in quantities sold of potash and phosphate fertilizers, which led to an increase of approximately $1,522 million in sales. The decrease in the selling prices of potash and of phosphate rock, net of the rise in the selling prices of phosphate fertilizers, led to a decrease of approximately $716 million in sales.

Profitability

Operating income in the segment amounted to $720.8 million, an increase of $216.9 million compared with the corresponding period last year. The margin of operating income out of sales was 30.8%, compared with 33.3% last year.

The increase in operating income is mainly due to an increase in sales of potash and phosphate fertilizers, which increased operating income by approximately $853 million. The fall in selling prices of potash and phosphate rock, offset by a rise in the selling prices of phosphate fertilizers, reduced operating income by approximately $673 million. Operating income suffered the negative effects of suspension of production for defined periods at the various plants, which occurred mainly in the corresponding period last year. The net effect of these suspensions was to improve operating income in the reporting period compared with last year by approximately $25 million.

Potash

Revenue from potash includes the sales of potash from Israel, Spain (Iberpotash) and England (Cleveland Potash).

Potash – Revenue and profit (millions of $)

$ millions	1-9/2010	1-9/2009	7-9/2010	7-9/2009	2009
Revenue *	1,586.6	962.5	484.2	477.6	1,429.0
Operating income	625.5	494.5	172.7	245.4	708.1

* Including revenue from inter-segment sales

The increase in revenue in the reporting period compared with the corresponding period last year is due to the sharp increase in the quantities of potash sold, which increased sales by approximately $1,352 million. This increase was partially offset by a fall in potash prices, which reduced revenue from sales by about $745 million. In the present quarter, sales of potash were impacted negatively by logistical problems in India, which led to a decision there to temporarily reduce potash imports so as to enable the import of phosphate fertilizers, by work-to-rule action in Israel's ports, and by the relatively small number of working days in September, due to the holidays.

The increase in operating income is mainly due to the effects of the rise in quantities sold, which increased operating income by $836 million. The increase was partially offset by a fall in selling prices amounting to about $700 million. In addition to the factors that negatively impacted the sales in the quarter as detailed below, operating income in the quarter was adversely affected by reduced production at facilities in Europe.

Potash – Production, sales and closing inventories

Thousands of tons	1-9/2010	1-9/2009	7-9/2010	7-9/2009	2009
Production	3,067	3,078	1,013	1,009	4,109
Sales to external customers	3,940	1,583	1,212	939	2,562
Sales to internal customers	203	95	74	40	147
Total sales (including internal sales)	4,143	1,678	1,286	979	2,709
Closing inventory	1,841	2,917	1,841	2,917	2,917

The quantity of potash sold to external customers in the reporting period is about 2,357 million tons higher than in the corresponding period last year. The quantity of potash produced in the reporting period is similar to the quantity produced in the corresponding period last year. In view of the high level of inventory in the Company’s plants in Europe at the beginning of the year, it was decided to reduce production in Europe, and production was suspended for two months at sites in Spain (mines and plants), with the exception of the compaction plant, commencing February 1, 2010. Operations resumed in these plants at the beginning of April 2010. During the quarter, production was reduced at the plants in Europe, mainly because of summer vacations Production is not expected to be suspended in the fourth quarter of the year.

Fertilizers and phosphates

Revenue from these products derive from sales in Israel and abroad of phosphate rock (as a raw material and for direct fertilization), fertilizers (including phosphate, compound, liquid and fully soluble fertilizers, which include various proportions of nitrogen, phosphorus and potassium), phosphoric acid used as a raw material for fertilizer production (green acid), and other products.

Fertilizers and phosphates – Revenue and profit

$ millions	1-9/2010	1-9/2009	7-9/2010	7-9/2009	2009
Revenue *	821.0	601.5	295.7	218.2	787.7
Operating income	93.5	9.3	40.1	4.7	11.5

* Including revenue from inter-segment sales

The increase in revenue in the reporting period compared with the corresponding period last year is due mainly to the increase in quantities sold and the selling prices of phosphate fertilizers, which increased sales by about $162 million and $37 million respectively.

The increase in operating income in the reporting period compared with the corresponding period last year stems from an increase in quantities sold and the selling prices of fertilizers, which contributed about $53 million to sales.

Operating income in the corresponding period last year was negatively impacted by suspensions in production for limited periods at the various plants. The impact of the production suspensions was an improvement of approximately $25 million in operating income in the reporting period compared to the corresponding period in the prior year.

Fertilizers and phosphates – Production and sales

Thousands of tons	1-9/2010	1-9/2009	7-9/2010	7-9/2009	2009
Phosphate rock					
Production	2,355	1,977	808	678	2,697
Sales*	503	449	211	116	610
Phosphate rock for internal uses	1,937	1,361	688	458	1,960
Fertilizers					
Production	1,273	671	435	342	917
Sales*	1,414	813	503	387	1,061

* To external customers

Phosphate rock is produced according to demand, both for internal uses and for sales to external customers, while maintaining appropriate stock levels.

The low production in the corresponding period last year is due to suspension of production for defined periods at a number of facilities, in response to the decline in the demand for fertilizers in the Company's main markets.

The increase in sales of phosphate fertilizers in the reporting period, compared with the corresponding period last year, is due to the rise in demand for this product, which commenced in the second quarter of 2009 and gained momentum in the second half of 2009, primarily in Brazil and in Europe.

3.2 ICL Industrial Products

Sales

Sales of ICL Industrial Products in the reporting period amounted to $966.6 million, an increase of $228.1 million compared with the corresponding period last year. The increase is due to an increase of approximately $219 in quantities sold, mainly $150 million in flame retardants. Selling prices fell gradually in 2009 as a result of the economic crisis, while after the recovery in demand, selling prices in the segment started to rise.

Demand continued to improve in the third quarter of 2010, and was reflected in an increase of $34.9 million in sales compared with the corresponding quarter last year. Most of the improvement in sales stemmed from the increase in sales of flame retardants. The Company is working to increase production of its flame retardants in order to increase the volume of its sales. A temporary decrease in the sales of clear brines stems from the suspension of drilling in the Gulf of Mexico in the wake of the ecological catastrophe there.

Profitability

Operating income in the reporting period amounted to approximately $139.8 million, compared with $4.9 million in the corresponding period last year.

The increase was mainly due to the sharp increase in quantities sold, which contributed $90.5 million to operating income, the rise in selling prices, which contributed $9.4 million, a one-time expense of $38.4 million recognized in the prior year in respect of early retirement, and the effects of the fall in the prices of raw materials and energy, which contributed $20.8 million to the increase. However, the increase was partially offset by an increase in expenses of $16.6 million from the strengthening of the shekel against the dollar, which decreased operating income by approximately $9.6 million.

3.3 ICL Performance Products

Sales in this segment amounted to $1,013.0 million, similar to the corresponding period last year.

A fall in selling prices relative to last year offset the improvement in quantities sold.

Profitability

Operating income at ICL Performance Products in the reporting period amounted to $152.3 million, an increase of about $14.3 million compared with the corresponding period last year. The increase is mainly due to the effects of the increase in quantities sold compared with last year, which contributed $35.5 million to the increase but was offset by the effects of the fall in selling prices compared with the corresponding period last year, which reduced operating income by approximately $21.5 million.

4. The Financial Position and Sources of Financing of ICL

At September 30, 2010, an increase of $92.6 million was recorded in the net interest-bearing financial liabilities of ICL compared with the balance at the end of 2009, brining the total to approximately $949.4 million.

ICL's sources of financing are short- and long-term loans, mostly from international banks, debentures issued to the public and to institutional investors in Israel and the USA, non-listed short-term commercial paper issued from time to time, and customer securitization, in which some of the companies in the Group sell customer receivables in consideration of a cash payment. Regarding the new securitization agreement signed by the Company after the balance sheet date – see Section 9.9.

5. Cash Flow

Cash flow generated by operating activities in the reporting period amounted to $1,110.2 million, compared with $881.0 million in the corresponding period last year. Cash flow from operating activities in the reporting period was adversely affected by one-time tax payments and by tax rebates received in the corresponding period last year, which together amounted to about $60 million. Cash flow from operating activities in the reporting period was the principal source for net financing of investments of about $237.1 million in property, plant and equipment and for payment of a dividend of $985 million.

6. Investments

In the reporting period, investments in property, plant and equipment amounted to approximately $237.1 million, compared with about $248.7 million in the corresponding period last year. Most of the investments were in Israel, for expanding production capacity, in ecology and safety, and for maintaining the existing situation.

7. Human Resources

The total number of employees in ICL as at June 30, 2010 is 11,097 (including contract workers and students), compared with 10,768 on September 30, 2009, an increase of 329 employees. The increase in the number of employees stems mainly from the acquisition of companies by ICL Performance Products and ICL Industrial Products, investment in new facilities, and expansion of production following the return to pre-crisis work formats. In addition, plans for recruiting engineers in various disciplines at ICL Fertilizers were reinstated.

8. Market Risk Exposure and Management

Base rates as at September 30, 2010:

Currency	Exchange rate
NIS/USD	0.27285
EUR/USD	1.36079
GBP/USD	1.58276
JPY/USD	0.01196
BRL/USD	0.58776

Update of sensitivity to changes in the exchange rates of balances in the statement of financial position at September 30, 2010:

	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
USD/NIS	**($ millions)**	**($ millions)**	**($ millions)**	**($ millions)**	**($ millions)**
Type of instrument	**Increase of 10%**	**Increase of 5%**		**Decrease of 5%**	**Decrease of 10%**
Cash and cash equivalents	(3.1)	(1.5)	30.8	1.5	3.1
Short-term deposits and loans	(2.4)	(1.2)	24.4	1.2	2.4
Trade receivables	(6.7)	(3.4)	67.4	3.4	6.7
Receivables and debit balances	(2.6)	(1.3)	25.9	1.3	2.6
Long-term deposits and loans	(18.3)	(9.1)	182.6	9.1	18.3
Credit from banks and others	0.3	0.2	(3.1)	(0.2)	(0.3)
Trade payables	22.2	11.1	(221.9)	(11.1)	(22.2)
Other payables	11.8	5.9	(117.8)	(5.9)	(11.8)
Bank loans	7.0	3.5	(69.7)	(3.5)	(7.0)
Debentures	37.9	19.0	(379.0)	(19.0)	(37.9)
Options	(8.9)	(4.4)	4.0	8.7	20.6
Forward	(24.1)	(12.6)	4.6	13.9	29.4
Swap	(28.4)	(14.9)	15.9	16.4	34.7
Embedded derivatives	1.3	0.6	1.7	(0.6)	(1.3)
Total	14.0	8.1	(434.2)	(15.2)	37.3

	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
CPI	**($ millions)**	**($ millions)**	**($ millions)**	**($ millions)**	**($ millions)**
Type of instrument	**Increase of 10%**	**Increase of 5%**		**Decrease of 5%**	**Decrease of 10%**
Long-term deposits and loans	7.6	3.8	76.4	(3.8)	(7.6)
Credit from banks and others	(0.2)	(0.1)	(2.5)	0.1	0.2
Other payables	(0.1)	0.0	(0.8)	0.0	0.1
Long-term bank loans	(7.0)	(3.5)	(69.7)	3.5	7.0
Fixed-interest debentures	(14.1)	(7.1)	(140.7)	7.1	14.1
CPI/USD swap	4.9	2.4	7.8	(2.4)	(4.9)
Forward	5.6	2.8	0.8	(2.8)	(5.6)
Embedded derivative	1.6	0.8	(0.6)	(0.8)	(1.6)
Total	(1.7)	(0.9)	(129.3)	0.9	1.7

	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
EUR/USD	**($ millions)**	**($ millions)**	**($ millions)**	**($ millions)**	**($ millions)**
Type of instrument	**Increase of 10%**	**Increase of 5%**		**Decrease of 5%**	**Decrease of 10%**
Cash and cash equivalents	(3.8)	(1.9)	38.2	1.9	3.8
Short-term deposits and loans	(8.1)	(4.1)	81.1	4.1	8.1
Trade receivables	(10.9)	(5.4)	108.7	5.4	10.9
Receivables and debit balances	(1.6)	(0.8)	16.3	0.8	1.6
Long-term deposits and loans	(0.2)	(0.1)	2.3	0.1	0.2
Credit from banks and others	0.7	0.3	(6.5)	(0.3)	(0.7)
Trade payables	15.5	7.8	(155.4)	(7.8)	(15.5)
Other payables	7.9	4.0	(79.2)	(4.0)	(7.9)
Long-term bank loans	10.4	5.2	(104.3)	(5.2)	(10.4)
Options	6.6	3.3	(1.1)	(3.5)	(6.6)
Forward	16.6	7.9	(9.1)	(7.1)	(13.6)
Embedded derivative	1.0	0.5	6.0	(0.5)	(1.0)
Total	34.1	16.7	(103.0)	(16.1)	(31.1)

	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
GBP/USD	**($ millions)**	**($ millions)**	**($ millions)**	**($ millions)**	**($ millions)**
Type of instrument	**Increase of 10%**	**Increase of 5%**		**Decrease of 5%**	**Decrease of 10%**
Cash and cash equivalents	(0.2)	(0.1)	1.9	0.1	0.2
Short-term deposits and loans	(2.2)	(1.1)	22.3	1.1	2.2
Trade receivables	(3.0)	(1.5)	30.3	1.5	3.0
Receivables and debit balances	(0.1)	0.0	0.6	0.0	0.1
Credit from banks and others	0.7	0.4	(7.1)	(0.4)	(0.7)
Trade payables	0.8	0.4	(7.8)	(0.4)	(0.8)
Other payables	1.3	0.6	(12.7)	(0.6)	(1.3)
Forward	0.8	0.4	(0.1)	(0.4)	(0.9)
Options	(0.1)	0.0	0.0	0.0	0.1
Total	(2.0)	(0.9)	27.4	0.9	1.9

	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
JPY/USD	**($ millions)**	**($ millions)**	**($ millions)**	**($ millions)**	**($ millions)**
Type of instrument	**Increase of 10%**	**Increase of 5%**		**Decrease of 5%**	**Decrease of 10%**
Cash and cash equivalents	(0.6)	(0.3)	5.9	0.3	0.6
Trade receivables	(1.8)	(0.9)	18.1	0.9	1.8
Receivables and debit balances	0.0	0.0	0.0	0.0	0.0
Long-term deposits and loans	0.0	0.0	0.2	0.0	0.0
Credit from banks and others	0.0	0.0	0.0	0.0	0.0
Trade payables	0.3	0.2	(3.4)	(0.2)	(0.3)
Other payables	0.1	0.0	(0.7)	0.0	(0.1)
Options	0.9	0.5	(0.5)	(1.6)	(1.6)
Forward	1.3	0.7	(0.4)	(0.7)	(1.6)
Total	0.2	0.2	19.2	(1.3)	(1.2)

	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
BRL/USD	**($ millions)**	**($ millions)**	**($ millions)**	**($ millions)**	**($ millions)**
Type of instrument	**Increase of 10%**	**Increase of 5%**		**Decrease of 5%**	**Decrease of 10%**
Cash and cash equivalents	(1.0)	(0.5)	10.4	0.5	1.0
Trade receivables	(0.7)	(0.4)	7.3	0.4	0.7
Receivables and debit balances	0.0	0.0	0.1	0.0	0.0
Trade payables	0.5	0.3	(5.5)	(0.3)	(0.5)
Other payables	0.1	0.1	(1.4)	(0.1)	(0.1)
Total	(1.1)	(0.5)	10.9	0.5	1.1

	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
CNY/USD	**($ millions)**	**($ millions)**	**($ millions)**	**($ millions)**	**($ millions)**
Type of instrument	**Increase of 10%**	**Increase of 5%**		**Decrease of 5%**	**Decrease of 10%**
Cash and cash equivalents	(0.9)	(0.4)	8.9	0.4	0.9
Short-term deposits and loans	(1.5)	(0.8)	15.1	0.8	1.5
Trade receivables	(2.0)	(1.0)	20.4	1.0	2.0
Receivables and debit balances	0.0	0.0	0.2	0.0	0.0
Credit from banks and others	0.1	0.1	(1.5)	(0.1)	(0.1)
Trade payables	0.8	0.4	(8.2)	(0.4)	(0.8)
Other payables	0.5	0.3	(5.4)	(0.3)	(0.5)
Long-term loans from banks	0.4	0.2	(3.5)	(0.2)	(0.4)
Total	(2.6)	(1.2)	26.0	1.2	2.6

Update of sensitivity to changes in the LIBOR interest rate at September 30, 2010:

	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
	($ millions)	**($ millions)**	**($ millions)**	**($ millions)**	**($ millions)**
Type of instrument	**Increase of 1%**	**Increase of 0.5%**		**Decrease of 0.5%**	**Decrease of 1%**
Fixed-interest debentures	3.0	1.5	(93.1)	(1.5)	(3.1)
Collar transactions	3.0	1.5	(8.3)	(1.4)	(1.7)
Swap transactions	7.8	4.0	(12.3)	(3.7)	(5.3)
Other options	0.8	0.5	(1.6)	(0.6)	(1.6)
NIS/USD swap	7.1	3.6	8.2	(3.6)	(4.1)
Total	21.7	11.1	(107.1)	(10.8)	(15.8)

Update of sensitivity to changes in the index interest rate at September 30, 2010:

Sensitivity to changes in the index interest rate	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
	($ millions)	**($ millions)**	**($ millions)**	**($ millions)**	**($ millions)**
Type of instrument	**Increase of 1%**	**Increase of 0.5%**		**Decrease of 0.5%**	**Decrease of 1%**
Fixed-interest debentures	4.6	2.3	(140.7)	(2.4)	(4.8)
Long-term bank loans	4.1	2.1	(69.7)	(2.2)	(4.5)
CPI/USD swap	(1.5)	(0.8)	7.8	0.8	1.6
Total	7.2	3.6	(202.6)	(3.8)	(7.7)

Update of sensitivity to changes in the shekel interest rate at September 30, 2010:

Sensitivity to changes in the shekel interest rate	Increase (decrease) in fair value		Fair value	Increase (decrease) in fair value	
	($ millions)	($ millions)	($ millions)	($ millions)	($ millions)
Type of instrument	**Increase of 1%**	**Increase of 0.5%**		**Decrease of 0.5%**	**Decrease of 1%**
Fixed-interest debentures	5.7	2.9	(210.2)	(2.9)	(5.9)
NIS/USD swap	(9.1)	(4.7)	10.0	4.5	9.2
Total	(3.4)	(1.8)	(200.2)	1.6	3.3

Update of positions in derivatives at September 30, 2010

Hedging transactions against the effect of changes in exchange rates on cash flow $ thousands				
	Nominal value Up to one year		Fair value Up to one year	
	Long	Short	Long	Short
Transactions in dollars against other currencies (direction of transaction in derivatives is dollar purchase)				
EUR/USD in $ thousands				
Forward	149,409		(9,088)	
Call options	68,086		(3,204)	
Put options	68,344		2,150	
JPY/USD in $ thousands				
Forward	13,700		(356)	
Call options	18,500		99	
Put options	18,500		(616)	
NIS/USD in $ thousands				
Forward		260,195		4,642
Call options		167,500		(502)
Put options		215,500		4,489
GBP/USD in $ thousands				
Forward		8,368		(79)
Call options	820			
Put options	820		37	
Other currencies				
Call options				
Put options				
GBP/EUR in $ thousands (Direction of transaction is GBP purchase)				
Forward		996		(10)

Swap contracts and futures contracts for the Company's liabilities				
Israeli fixed to variable interest swap contract		71,32		1,843
Fixed interest shekel to dollar liability fixed-interest swap contract from fixed-interest shekel liability		48,177		4,804
Fixed interest dollar liability to variable interest dollar liability swap contract from CPI-linked fixed interest liability – not recognized		38,892		7,753
Cash flow swap contract from fixed-interest shekel liability to fixed-interest dollar liability – recognized for accounting		178,553		3,352
Futures contract for CPI purchase – more than one year	53,291		809	

Principal terms of the material derivative instruments used for economic hedging of foreign currency risk:

	Nominal value in $ thousands	Carrying amount/fair value	Average transaction rate
Forward transactions			
USD/NIS	260,195	4,642	3.77
EUR/USD	149,409	(9,088)	1.3

The expiration date of all the derivatives used for economic hedging of foreign currency risk is up to one year.

Interest-hedging transactions – for hedging against changes in variable interest rate (LIBOR) on dollar loans (in $ thousands)								
	Nominal value				Fair value			
	Up to one year		Over one year		Up to one year		Over one year	
	Long	Short	Long	Short	Long	Short	Long	Short
Swap	25,000		331,262	68,000	(438)		(19,995)	8,145
Caps	75,000		120,000				345	
Floors	75,000		120,000		(1,093)		(7,599)	
Other options			30,000				(1,581)	

In swap transactions, the Company replaces the variable interest rate paid on loans received for fixed interest at rates between 2.4% and 4.3%. In cap and floor transactions, the Company fixes the float of variable interest loans in the range of 2.28% to 5.25%.

For CPI-linked shekel debentures issued by the Company, the Company has transactions in derivatives to swap cash flows from shekels to dollars, as well as transactions in derivatives for hedging most of the exposure to changes in the CPI. The transactions to hedge exposure to the cash flow for expanded Debentures Series B were accounted for in the financial statements as an accounting hedge. Following application of the accounting hedge, the Company recognized some of the fair value changes of the derivatives in capital reserve (a loss of about $2.4 million). None of the other hedging transactions made by the Company are accounted for as an accounting hedge in the financial statements.

9. Update on the description of the Company's business and material events during and after the balance sheet period

Below are updates concerning certain subjects described in the chapter Description of the Company's Business, in the section Additional General Information at the corporate level, and in the chapter Additional Details – in the Periodic Report for 2009 ("the Periodic Report"), as well as events during and after the balance sheet period.

9.1 On January 7, 2010, the Board of Directors of the Company approved an allotment of up to 11,000,000 unlisted options, free of charge, to 318 officers and senior employees in the Group. For additional details, see Section 5.2E in the Description of the Company's Business at December 31, 2009.

9.2 On April 7, 2010, following items in the media, the Company gave its approval for Israel Refineries and Israel Corporation (through O.P.C. Rotem Ltd., a subsidiary of Israel Corporation), to negotiate with a number of entities in connection with the purchase of natural gas. For additional details, see also the immediate report dated April 7, 2010 (Ref: 2010-01-441966)

9.3 Update for Section 26 in the chapter Additional Details about the Company – The Board of Directors of the Company: On May 2, 2010, Mrs. Noga Yatziv, a director of the Company, gave notice of her resignation as a member of the Board of Directors of the Company, effective from the date of the notice. See also the immediate report dated May 2, 2010 (Ref. 2010-01-465285).

9.4 Update for Section 26A in the chapter Additional Details about the Company – Company Officers: On May 24, 2010, the Board of Directors of the Company extended the term of office of the internal auditor, Mr. Shlomo Ben-Shimol, for a further three years. See also the immediate report dated May 24, 2010 (Ref. 2010-01-492630).

9.5 On March 23, 2010 the ICL Board of Directors decided to distribute a cash dividend in the amount of $155 million (net dividend after deduction of the share of a subsidiary is $154.7 million), which was distributed on April 27, 2010.

9.6 On May 24, 2010, the Board of Directors of the Company resolved to distribute a dividend of $668 million (the net dividend, after deduction of the share of a consolidated company, is $666.8 million), which was distributed on June 28, 2010. The dividend amount consisted of a one-time dividend of $500 million and a quarterly dividend of $168 million. The Board of Directors also confirmed a policy of quarterly dividends of up to 70% of net profit. For additional details, see the immediate report dated May 25, 2010 (Ref. 2010-01-492390).

9.7 On August 23, 2010, the Board of Directors of the Company resolved to distribute a dividend of $177 million (the net dividend, after deduction of the share of a subsidiary, is $176.7 million), which was distributed on September 20, 2010.

9.8 On November 22, 2010, the Board of Directors of the Company resolved to distribute a dividend of $170 million (the net dividend, after deduction of the share of a subsidiary, is $169.7 million), which will be distributed on January 12, 2011.

9.9 On July 2, 2010, the Company and certain consolidated companies entered into a set of agreements concerning a securitization transaction with Rabobank International and Credit Agricol, for the sale of their customer debts to a foreign company established specially for the purpose and which is not owned or controlled by the Group. These agreements replace the prior securitization agreement, which ended in July 2010.

For additional details about the securitization, see Note 5(8) to the financial statements.

9.10 On August 23, 2010, the Board of Directors of the Company approved, after approval by the Audit Committee, renewal of a policy for the insurance of directors and officers in the Company on the terms of the "framework decision" as approved by the Board of Directors and the Audit Committee of the Company on August 30, 2007 and amended by a resolution of the general meeting of the Company on November 10, 2008. The Board also approved the division of the premium between ICL and Israel Corporation Group for the joint layer. See also the immediate report dated August 24, 2010 (Ref: 2010-01-596991).

9.11 On August 5, 2010, Standard & Poor's Maalot confirmed the Company's “ilAA+” rating, and removed the rating from CreditWatch with negative outlook, on which it was placed on May 27, 2010. The rating outlook is stable.

9.12 On October 4, 2010, the annual general meeting of the shareholders of the Company approved, after the approval of the Audit Committee and the Board of Directors, the following items:

a. To re-appoint all the serving directors of the Company (who are not external directors) for an additional term, to the end of the next annual general meeting.

b. To pay directors the maximum compensation, as is paid to external directors or expert external directors, as the case may be. Notwithstanding the foregoing, and in accordance with the resolution of the special general meeting of the shareholders of the Company on July 20, 2009, the Company will not pay compensation to directors who are officers in the Israel Corporation in respect of their service on the Board of Directors of the Company. The directors will continue to benefit from the insurance arrangement, exemption fro liability, and the undertaking to indemnify as exists in the Company.

c. To pay maximum compensation to directors in the Company, in respect of their service on the boards of directors of the subsidiaries. For the matter of compensation of directors who are officers in Israel Corporation, see sub-section (b) above.

d. To appoint Adv. Eran Sarig to be a director in the Company for a term of office that will end at the end of the next annual general meeting.

e. To approve the grant of insurance, exemption from liability and an undertaking to indemnify for Adv. Eran Sarig, in accordance with existing arrangements in the Company.

f. To re-appoint the Company's auditors, KPMG Somekh Chaikin, as the auditors of the Company for 2010 and, until the end of the next annual general meeting, and to authorize the Board of Directors to set their fees.

9.13 On October 5, 2010, Mr. Amnon Sadeh, a director in the Company, ended his service on the Board of Directors of the Company and on the board of directors of the ICL Industrial products segment, and to be an interested party by virtue of his shareholding in ICL. See also the immediate reports dated October 5, 2010 and October 12, 2010 (Refs. 2010-01-636324 and 2010-01-644592, respectively).

9.14 Update to clause 4.1.13 A1 of the Description of the entity- During November 2010 an agreement was reached between ICL and the Ministry of Finance, via the accountant general, to transfer the dispute between ICL and the Ministry of Finance regarding past royalty payments and also to clarify the royalty rate on excess amounts over 3 million ton commencing from 2010, to arbitration. The arbitrators have not yet been selected.

9.15 On September 30, 2010 the Collective work agreement for Dead Sea Works, a company in the Fertilizer Segment expired. On November 18, 2010 the General Union declared, a labor dispute at Dead Sea Works relating to disagreements during the negotiation process for signing the new Collective agreement. Under the law the employees are entitled to take work sanctions until implementing a full strike 14 days after the declaration date.

The Board of Directors of ICL wishes to thank ICL's management, as well as the employees and managers of ICL companies, for their dedicated and skilled contribution to the development of ICL and the achievement of its business results.

Date: November 22, 2010

Akiva Mozes **CEO**	**Nir Gilad** **Chairman of the Board of Directors**